

AMENDED IN ASSEMBLY JUNE 26, 2008

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

Assembly Constitutional Amendment

No. 11

Introduced by Assembly Member Blakeslee

January 8, 2008

Assembly Constitutional Amendment No. 11—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by adding Section 21 to Article XVI thereof, relating to state finance.

LEGISLATIVE COUNSEL’S DIGEST

ACA 11, as amended, Blakeslee. Budget process: California Strategic Reserve Bank.

Existing provisions of the California Constitution require the Legislature to establish a prudent state reserve fund in an amount the Legislature deems reasonable and necessary, and establish a Budget Stabilization Account, into which a specified portion of General Fund revenues must be deposited, and from which certain expenditures must be appropriated.

This measure would create the California Strategic Reserve Bank, governed by a board of financial experts appointed by the Governor and legislative leaders, as specified, to reduce the volatility of the General Fund by moderating swings in revenues and accommodating short-term changes in revenue growth. The measure also would create the Strategic Budget Reserve Fund, into which a specified portion of the General Fund revenues could be deposited and the administration of which would be overseen by the bank along with the administration of the Budget Stabilization Account. The measure would specify circumstances under which the funding of the reserve fund could be

suspended and under which appropriations *or transfers* could be made from the reserve fund.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

1 *Resolved by the Assembly, the Senate concurring,* That the
2 Legislature of the State of California at its 2007–08 Regular
3 Session commencing on the fourth day of December 2006,
4 two-thirds of the membership of each house concurring, hereby
5 proposes to the people of the State of California that the
6 Constitution of the State be amended as follows:

7 That Section 21 is added to Article XVI thereof, to read:

8 SEC. 21. (a) The California Strategic Reserve Bank is hereby
9 created in the State Treasury, in order to reduce the volatility of
10 the General Fund by moderating swings in revenues and
11 accommodating short-term changes in revenue growth. The bank
12 shall be governed by a board consisting of five members appointed,
13 one each, by the Governor, the President pro Tempore of the
14 Senate, the Speaker of the Assembly, and the minority leaders of
15 each house of the Legislature. Except for the initial appointments,
16 members of the board shall be appointed for a term of 12 years.
17 Of the initial appointments, the member appointed by the Governor
18 shall serve a term of 4 years; the member appointed by the
19 President pro Tempore of the Senate shall serve a term of 6 years;
20 the member appointed by the Speaker of the Assembly shall serve
21 a term of 8 years; the member appointed by the minority leader of
22 the Senate shall serve a term of 10 years; and the member appointed
23 by the minority leader of the Assembly shall serve a term of 12
24 years. To be qualified for appointment, each appointee to the board
25 shall have served as a chief executive officer, chief operating
26 officer, or chief financial officer of a major financial institution,
27 in the field of banking, lending, or securities, within 5 years
28 preceding the appointment and shall not have held public office
29 within 10 years preceding the appointment. The members of the
30 board shall serve without salary but shall receive payment for their
31 actual and necessary expenses, including travel expenses, incurred
32 in the performance of their duties. The California Strategic Reserve
33 Bank shall oversee the administration of the Strategic Budget
34 Reserve Fund. The California Strategic Reserve Bank shall also

1 oversee the administration of the Budget Stabilization Account
2 created in Section 20.

3 (b) In the 2009–10 fiscal year, and each fiscal year thereafter,
4 the governing board shall direct the Controller to transfer to the
5 Strategic Budget Reserve Fund an amount, which, when added to
6 moneys transferred to the Budget Stabilization Account pursuant
7 to Section 20 and any moneys deposited in any fund established
8 by the Legislature pursuant to Section 5.5 of Article XIII B, does
9 not exceed 20 percent of total General Fund appropriations for
10 that fiscal year, for the purpose of stabilizing annual General Fund
11 revenues or providing emergency relief in the event of a natural
12 disaster or fiscal emergency, as may be proclaimed by the
13 Governor. Total transfers pursuant to this subdivision for any fiscal
14 year shall not exceed the amount, if any, by which the Department
15 of Finance determines that General Fund revenues for that fiscal
16 year exceed the amount of General Fund revenues for that fiscal
17 year that would have been generated if the average annual General
18 Fund revenues of the prior three fiscal years were adjusted to the
19 future budget year based upon recent changes to the gross domestic
20 product. *year would exceed the Prudent Projected Revenue Limit*
21 *for that fiscal year. For purposes of this section, the “Prudent*
22 *Projected Revenue Limit” for a fiscal year is the amount of General*
23 *Fund revenues that would equal the average annual General Fund*
24 *revenues for the prior three fiscal years, adjusted upward or*
25 *downward by the average annual rate of change for the same three*
26 *years in the State’s gross domestic product, as determined by the*
27 *Department of Finance.*

28 (c) During the first five fiscal years of its existence, the Strategic
29 Budget Reserve Fund may also receive funding from proceeds of
30 the sale of state assets such as surplus *or other property, or the*
31 *sale and leaseback of state* property identified for this purpose by
32 statute, pursuant to a bill passed in each house of the Legislature
33 by rollcall vote entered in the journal, two-thirds of the membership
34 of each house concurring.

35 (d) Moneys in the Strategic Budget Reserve Fund shall be
36 invested in a manner consistent with prudent investment practices
37 so as to yield income at competitive market rates. Interest and
38 other income generated by moneys in the fund so invested shall
39 be deposited into that fund. Moneys in the fund shall carry over
40 from one fiscal year to the next.

(e) The transfer of any moneys from the General Fund to the Strategic Budget Reserve Fund pursuant to subdivision (b) may be suspended, in whole or in part, for a fiscal year only if both of the following conditions are met:

(1) Either of the following occurs:

(A) The Governor has issued a proclamation that declares both of the following:

(i) That there is either an emergency involving the health, safety, or welfare of the residents of this State, or ~~a downturn in the economy resulting in significant unanticipated revenue shortfalls that cannot be dealt with through the normal budget process.~~ *that General Fund revenues for the current fiscal year are projected to fall below the Prudent Projected Revenue Limit for that fiscal year.*

(ii) That the conditions set forth in clause (i) require that the transfer of moneys pursuant to subdivision (b) be suspended, in whole or in part.

(B) At the time that the Governor submits a budget to the Legislature for that fiscal year pursuant to Section 12 of Article IV, or between 100 and 130 days after that budget is submitted, the Governor certifies that the amount in the Strategic Budget Reserve Fund equals or exceeds 20 percent of total General Fund appropriations proposed by that budget for the ensuing fiscal year or that General Fund revenues fall below ~~the amount of General Fund revenues that would have been generated if the average annual General Fund revenues for the prior three fiscal years were adjusted to the budget year based upon recent changes to the gross domestic product.~~ *Prudent Projected Revenue Limit for that fiscal year.*

(2) The Legislature enacts by statute, pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership of each house concurring, a suspension for that fiscal year of the transfer of moneys pursuant to subdivision (b), provided that the bill does not contain any other unrelated provision.

(f) ~~Appropriations may be made from the Strategic Budget Reserve Fund, or transfers from that fund to the General Fund to fund one or more appropriations, may be made~~ by a statute, passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership of each house concurring,

1 ~~provided that it and provided that the statute does not contain any~~
2 ~~other unrelated provision. An provision, as follows:~~

3 (1) An appropriation may be made from the Strategic Budget
4 Reserve Fund only if, prior to enactment of the statute making the
5 appropriation, the Governor has issued a proclamation that declares
6 that the appropriation ~~or appropriations are~~ is necessary to address
7 either ~~(1) an emergency involving the health, safety, or welfare of~~
8 ~~the residents of the State, or (2) a downturn in the economy that~~
9 ~~has resulted in significant unanticipated revenue shortfalls that~~
10 ~~cannot be dealt with through the normal budget process, with the~~
11 ~~result that vital public services are at risk. State.~~

12 (2) A transfer may be made from the Strategic Budget Reserve
13 Fund to the General Fund only if (A) prior to enactment of the
14 statute making the transfer, the Governor has issued a
15 proclamation that declares that General Fund revenues for the
16 current fiscal year are projected to fall below the Prudent
17 Projected Revenue Limit for that fiscal year, and (B) the amount
18 transferred does not exceed the amount of the shortfall declared
19 by the Governor.

20 (g) For purposes of this section, the term “General Fund
21 revenues” does not include funds transferred into or out of the
22 Strategic Budget Reserve Fund, and the term “General Fund
23 appropriations” does not include funds appropriated from the
24 Strategic Budget Reserve Fund.

25 ~~(g)~~

26 (h) Funds deposited into the Strategic Budget Reserve Fund
27 pursuant to subdivision (b), or derived from investing moneys in
28 the Strategic Budget Reserve Fund pursuant to subdivision (d),
29 shall not be deemed General Fund revenues or General Fund
30 proceeds of taxes within the meaning of Section 8. ~~Transfers This~~
31 ~~exclusion does not apply to funds transferred from the Strategic~~
32 ~~Budget Reserve Fund to the General Fund for purposes of~~
33 ~~appropriation shall be deemed General Fund revenues within the~~
34 ~~meaning of Section 8: pursuant to paragraph (2) of subdivision~~
35 ~~(f).~~